



Newsletter

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Inserts:

- KHEAA Origination Services Lender Participants
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KHEAA does not discriminate on the basis of race, color, national origin, sex, religion, age, or disability in employment or services and provides, upon request, reasonable accommodations to afford individuals with disabilities an equal opportunity to participate in all programs and activities. Printed with state funds KRS 57.375.

KHEAA Provides Relief to Individuals Affected By Terrorist Attacks

by David Rayborn

In the wake of the September 11 terrorist attacks on New York City, KHEAA moved swiftly to provide relief to student loan borrowers in the stricken areas. Within forty-eight hours of the disaster, KHEAA instructed our internal collections staff and our collection contractors to grant a forbearance requested by any borrower in default on a loan if the borrower requested the forbearance due to the terrorist attacks.

Without a request from the borrower, KHEAA will curtail collection activities from September 11, 2001, through January 31, 2002, for defaulted borrowers who reside or work in the designated disaster area (New York City). For other defaulted borrowers who have been impacted by the disaster, KHEAA will, upon request from the borrower, curtail collection activities for a period that ends no later than January 31, 2002.

Based upon guidance from the U.S. Department of Education (USDE), lenders have been authorized to grant mandatory administrative forbearance to borrowers who reside in or work in any of the five boroughs of New York City (The Bronx, Brooklyn, Manhattan, Queens, and Staten Island). This forbearance can be granted without requiring a request or documentation from the borrower, and is effective from September 11, 2001, through January 31, 2002. Forbearance beyond January 31, 2002, may only be granted based on supporting documentation and with a written forbearance agreement with the borrower.

Based upon the request of the affected borrower or a family member, borrowers who have been impacted by the terrorist attacks (other than those who reside or work in New York City) will be granted forbearance for a period that ends no later than January 31, 2002. This initial forbearance will be granted without supporting documentation or a written forbearance agreement.

To assist members of the military who have been reasigned or activated as a result of the terrorist attacks, additional relief measures will be provided. These

measures apply to members of the National Guard and the Ready Reserves of the Armed Forces who have been called to active duty. Lenders will automatically postpone the student loan payments of borrowers during the period of their active duty service. Borrowers with subsidized student loans will be eligible to have the federal government assume the interest payments on their loans while they are on military duty. For those borrowers with loans not yet in repayment because they are either currently students or because they recently left school and are in a grace period, the USDE has directed that lenders hold their loans in their current deferment status. Borrowers will not be required to make payments to their lenders during the term of their military service as well as for a reasonable amount of additional time for the borrower to resume enrollment in school.

In additional guidance, the USDE strongly encouraged colleges and universities to provide either a full refund of tuition and other institutional charges or comparable credit to students forced to withdraw from school to fulfill their military obligations. The department also urged schools to offer flexible reenrollment options to these affected students and to other students who have been forced to withdraw from school as a result of the terrorist attacks. Furthermore, the USDE relaxed requirements that schools return federal financial aid to the government when a student aid recipient withdraws from school. Students who withdraw because they are called to active duty or have been affected by the military mobilization, as well as others who withdraw as a direct result of the terrorist attacks, will not be required to return financial aid funds they received for books and living expenses.

The USDE issued a Dear Colleague Letter in September (GEN-01-12) that provides guidance regarding institutional deadlines that will impact certain schools. Several basic issues addressed in the letter included:

- Filing deadline for Fiscal Operations Report and Application to Participate (FISAP).
- Final 2000–2001 Federal Pell Grant reporting deadline.
- Deadline for reporting Federal Pell Grant disbursement records.
- Submission of Federal Direct Loan records.

Schools that need to review the guidance provided by GEN-01-12 may access it at www.ifap.ed.gov/dpcletters/gen0112.html

For additional information regarding KHEAA's efforts to assist those affected by these tragic events in recent

weeks, lenders may contact Shirley Young at (502) 696-7282 or (800) 928-8926, extension 7282. Schools may contact Mark Maidlow at (502) 696-7276 or (800) 928-8926, extension 7276.

Wolanin Retires from State Service

by Lori Powers

Londa Lewis Wolanin, KHEAA's Chief Operating Officer, retired from state service effective October 1. Londa joined KHEAA in 1979 and was appointed Chief Operating Officer in 1994. After the retirement of Paul P. Borden from the position of Executive Director in September 1999, Londa served as Chief Operating Officer with Executive Director responsibilities, managing all aspects of KHEAA's program, administrative, and financial operations. She worked closely with the executive and legislative branches of state government in carrying out the affairs of the agency. Prior to being appointed Chief Operating Officer, Londa also served with policy-level responsibilities as Executive Assistant and Administrative Branch Manager.

During Londa's leadership over the past two years, she oversaw substantial growth in agency programs and services. Annual guarantee volume increased 57 percent from \$345 million to over \$542 million. Business development and marketing activities were expanded in both Kentucky and Alabama, and the Kentucky Community and Technical College System and 10 other higher education institutions returned to the Federal Family Education Loan Program (FFELP) from the Federal Direct Loan Program. KHEAA's recovery rates on defaulted loans rose from 14.49 percent to 20.17 percent, with KHEAA's national ranking rising from 24th to 15th. KHEAA's cohort default rate dropped from 11.5 percent to 5 percent, with KHEAA's ranking rising from 32nd to 16th out of 36 agencies. Student aid disbursements increased 71 percent from \$42.9 million to \$73.3 million, and the Kentucky Educational Excellence Scholarship (KEES) disbursement process and Early Childhood Development Scholarship Program were successfully implemented. FY2001 was the most successful in Kentucky Education Savings Plan Trust (KESPT) enrollment history with a total of 1,400 accounts opened, more than double the number of accounts opened in KESPT's former top year.

Londa was quick to defer recognition for the agency's success to KHEAA staff. "Our accomplishments over the past two years are evidence of staff's commitment to the students, schools, and lenders we serve," Londa said.

“Their efforts have made higher education more affordable and streamlined the delivery of student aid funds for hundreds of thousands of students.”

Londa was also active in numerous professional organizations.

Call-in Conference for Lenders, Financial Aid Officers

by Tim Ballard

Student loan providers and college financial aid officers can participate in a call-in conference with KHEAA staff. The live conference will be held Thursday, January 31, from 10:30 a.m. to noon Eastern time, 9:30 to 11 a.m. Central time for Kentucky and from 2 to 3:30 p.m. Eastern time, 1 to 2:30 p.m. Central time for Alabama.

Dr. Joe L. McCormick, KHEAA's Executive Director, and staff who coordinate KHEAA's various student financial aid programs will be available to answer questions about KHEAA programs. Callers may share their concerns and ideas for improving the administration of KHEAA programs and services.

“We're really excited about this opportunity to talk with lenders and financial aid officers about ways we can work with them to improve access to higher education,” McCormick said. “We hope everyone who has a question or suggestion will give us a call.”

The telephone number will be announced at a later date.

KHEAA Newsletter Delivery Changing

by David Rayborn

This will be the final paper edition of the *KHEAA Newsletter*. In the future, you will be receiving the *KHEAA Newsletter* via e-mail.

We have compiled a list of our industry partners that we call “KHEAA Partners.” It should be noted that “KHEAA Partners” is not a list serve in the sense of a chat room where messages are exchanged; being a part of “KHEAA Partners” will not cause an abundance of irritating and unnecessary e-mails. “KHEAA Partners” will simply provide KHEAA a means to communicate important messages and information, including the *KHEAA Newsletter*, to our industry partners via e-mail. “KHEAA Partners” will also allow you to easily be removed from our list or to change and/or add additional recipients at your institution.

The *KHEAA Newsletter* will continue to be published quarterly.

KHEAA Again Gives Student Loan Borrowers Break on Insurance Fee

from a KHEAA press release issued July 11, 2001. A similar release was issued in Alabama.

Kentuckians taking out student loans to pay for college or technical training through FFELP will not have to pay an insurance fee if the loan is guaranteed by KHEAA.

The KHEAA board of directors voted at its June 28 meeting to again waive the one percent (1%) loan insurance fee for the 2001–2002 academic year, subject to periodic evaluation. This means students will have these funds to help pay their higher education expenses.

KHEAA has waived the insurance fee on guaranteed student loans since August 1996. This waiver has saved students we serve more than \$15 million in the past five years.

As the FFELP guarantor for Kentucky, KHEAA guarantees Federal Stafford, PLUS, and Consolidation Loans. Stafford Loans are for students, and PLUS Loans are for parents. Consolidation Loans are for borrowers who are repaying more than one federal student loan.

New Deferment Forms Available

by David Rayborn

Effective July 1, 2001, federal regulations were amended to remove the six-month limitation on the application of a deferment. Prior to this change, 34CFR 682.210(a)(5) limited the application of a deferment to no more than six months before the date a lender receives a request and the required documentation. With the implementation of the new regulations, the six-month backdating limitation was removed from all types of deferments with the exception of an initial unemployment deferment.

Consequently, new deferment forms that reflect the removal of the backdating clause have been developed and are now available. The new deferment forms are available on our web site at www.kheaa.com/fed_defer.html. You may also request deferment forms by contacting the school and lender hot line at (800) 617-2699.

Default Portfolio Oversight Branch Realizes Remarkable Increase in Collections

by Dave Wellman

The KHEAA Default Portfolio Oversight Branch (DPO) collected over \$60 million in FFY01. That's an increase from \$44 million collected in FFY00. This 36 percent increase in collections gave KHEAA an overall Recovery Rate of 30.33 percent. Comparatively, in FFY99, KHEAA collected about \$29.5 million with a recovery rate of 14.49 percent. Collections have increased almost 50 percent since the creation of DPO two years ago.

This increase is also attributed to the success of the DPO Netback Ranking program, which awards collection contractors based on performance. Contractors are reevaluated every six months. The highest performing contractors are awarded a larger percentage of accounts, while lower performing contractors are awarded fewer.

KHEAA ranked 24th in the nation in default recovery in FFY99. KHEAA moved up to 15th in FFY00 and is expected to rank in the top 10 or better this year. KHEAA's recovery goal for FFY02 is a 31 percent recovery rate with collections of more than \$50 million.

SSCR Improvements

by Raymond Lightfoot

KHEAA has completed modification of the program that produces the Lender Notification of Student Enrollment Status Changes to eliminate reporting duplicity. In the past, lenders and servicers were sent notification each time a student's status was reported to KHEAA. In the future, they should only receive these notifications when the reported status has been changed from what was previously reported.

Beginning with the report for May 21, 2001, we trust that our trading partners have seen and will continue to see reductions in the number of records reported. If you have questions, please feel free to contact Raymond Lightfoot at (502) 696-7246.

KHEAA Goes Live with Common Account Maintenance Phase I

by Tricia Wells

KHEAA has successfully completed external testing of the first phase of Common Account Maintenance (CAM). Lenders or their designated servicers can now use CAM

records to report changes in borrower identifier data, enrollment status, contact information, loan status, lender/servicer, and loan balances. Lenders may also elect to receive notification of person-level demographic and enrollment updates from KHEAA in the CAM format.

KHEAA supports the following CAM records:

02	Identifier Data
03	Identifier Data Change
04	Enrollment Status Data
05	Address/Phone Change
15	Loan Status Change
16	Lender/Servicer Change
26	Principal and Accrued Interest Balance

CAM is a standardized electronic method of exchanging event-driven changes between guarantors, lenders, and their servicers regarding borrower- or loan-related information. CAM files support two-way communication between lender/servicers and guarantors. Currently, five servicers are trading data with KHEAA via CAM.

Servicers/lenders who are ready to begin CAM testing should contact Tricia Wells, Loan Maintenance Section Supervisor, via e-mail at twells@kheaa.com or by phone at (502) 696-7212 or (800) 928-8926, extension 7212.

Guide for Adults Returning to School Online

by Tim Ballard

The updated 2001–2002 edition of *Adults Returning to School* can now be accessed at www.kheaa.com. *Adults Returning to School* is an excellent source of information about schools offering postsecondary education and training and tips for FFELP borrowers. It contains up-to-date facts on admissions, costs, financial aid, and academic programs at Kentucky four-year colleges and universities, two-year colleges, theological seminaries, and trade schools. It also provides information of particular interest to adult students such as contacts for GED classes and testing centers, names of nontraditional student advisors, and lists of special programs and services such as campus day care, evening and weekend classes, shorter courses, and credit for military courses and work experience. Adults who do not have access to the Internet at home are encouraged to check with a Kentucky public library, all of which offer Internet access.

New Loan Maintenance Processes Available to Schools and Lenders

by Ruth Sweetman

KHEAA recently added new options to KLAS Online Loan Maintenance for schools and lenders to use. The processes of reallocation and revise and add were added to facilitate changing loans due to borrower eligibility and other changes in the original certification of a loan.

The reallocation process is accessed from the Work with Applications screen and allows changes to the original certification that carry through to the loan and the disbursements. It can be used when a reallocation of funds is being made equally from one loan type to the other in a subsidized/unsubsidized combination loan. Schools can use this option only on disbursements that have not yet been disbursed. Schools can continue to send post-disbursement reallocation requests to KHEAA's Change Group via e-mail or fax. Lenders are able to use this option pre- or postdisbursement. Also, from this option, the loan period, grade level, enrollment status, completion date, disbursement dates, and certification date can be changed on Stafford loans.

The processes of revise and add are available from the Disbursement Maintenance screen through the Work with Loans screen. These revise and add options must be used together to add a new disbursement. Any undisbursed disbursements amounts can be revised and a future disbursement added as long as the total disbursement amount remains the same. The revise option can be used alone to simply rearrange disbursement amounts between undisbursed disbursements as long as the total loan amount stays the same. Disbursement dates can also be changed with the revise option.

Schools that take advantage of these new options will allow the lenders to get the information more quickly. These types of changes will appear on the Pre/Postdisbursement Maintenance Reports for schools and lenders that are available through KHEAA's Web directory.

For additional information, you may contact KHEAA's Change Group at (800) 617-2699.

New Editions of *Getting In* Available

by Tim Ballard

The 2001–2002 editions of *Getting In*, free guides to postsecondary education in Kentucky and Alabama, are now available online at www.kheaa.com. Hard copies have been mailed to financial aid officers, student loan lenders, admissions officers, guidance counselors (for seniors), librarians, and others.

The books contain important, up-to-date information about postsecondary institutions in Kentucky and Alabama. *Getting In* also has a list of FFELP lenders and facts on admissions, costs, academic majors, and financial aid. The handbooks were prepared with the help of financial aid and admissions officers of higher education institutions, state officials, financial aid program administrators, and testing service representatives.

To request a copy, call (800) 928-8926, extension 7381; visit www.kheaa.com; fax (502) 696-7373; or e-mail hlong@kheaa.com.

Common Manual Updates

by David Rayborn

Enclosed as inserts to this edition of the *KHEAA Newsletter* are several *Common Manual* policy updates. These bulletins include reference numbers 526, 527, 528, 529, 530, 531, and 532.

If you have questions regarding these updates or need additional copies, call the Policy and Client Services Branch at (502) 696-7274 or (800) 928-8926, extension 7274.

Administrative Regulations

by Tim Ballard

The Interim Joint Committee on Education at its November 5, 2001, meeting approved the following KHEAA administrative regulations. These regulations are effective immediately.

Early Childhood Development Scholarship

- Amend 11 KAR 16:001 to clarify the postsecondary degrees that are eligible programs of study, delete the Kentucky Early Childhood Development Trainer's Certificate from the eligible credentials because the certificate will be achieved through a seminar instead of through a program of study at a postsecondary institution, and further define "professional development counselor" by adding the responsibilities of the position.
- Amend 11 KAR 16:060 to clarify that a scholarship recipient must pursue a child development associate's credential through a higher education institution to be eligible for the educational expense reimbursement, add a \$100 milestone achievement award for earning the Early Childhood Development Authority (ECDA) initial credential, increase the milestone achievement award from \$100 to \$250 for earning a child development associate's credential, and delete the Kentucky Early Childhood Development Trainer's Certificate from milestone achievement award eligibility.

Osteopathic Medicine Scholarship (OMS)

- Amend 11 KAR 14:010 to change the deadline for the Pikeville College School of Osteopathic Medicine to provide KHEAA with a list of students who are eligible for the OMS. The deadline will change from July 1 to August 1 to provide adequate time for the Pikeville College OMS review committee to evaluate new student applications and submit the list of eligible applicants to KHEAA by August 1. The amendment will also replace any references to 1998 Ky. Acts ch. 256, sec. 1(9) with references to KRS 164.7891(9).
- Amend 11 KAR 14:060 to clarify the meaning of full-time practice as it relates to the service requirement of recipients. "Full-time" means practicing in a qualified field for at least 2,000 hours per calendar year. "Qualified field," as proposed in a new definition, means family practice, general practice, general internal medicine, general pediatrics, general obstetrics, or gynecology. KHEAA further proposes

to amend 11 KAR 14:060 to list the events that will trigger a recipient's obligation to repay funds received under the program.

- Amend 11 KAR 14:070 to define "full-time practice" and "qualified field"; require a scholarship recipient to notify KHEAA in writing within 30 days of beginning or discontinuing an internship leading to a license to practice osteopathic medicine, failing to obtain a license to practice osteopathic medicine, and failing to obtain employment in full-time practice in Kentucky as a licensed doctor of osteopathy for a majority of the calendar year in a qualified field within 180 days of being licensed to practice in Kentucky; require the Pikeville College School of Osteopathic Medicine to notify KHEAA within 30 days of learning that a recipient ceases to be enrolled on a full-time basis at the school, begins or fails to complete an internship leading to licensure to provide qualified service, and begins or fails to complete a residency requirement; and replace any references to 1998 Ky. Acts ch. 256 with references to KRS 164.7891.
- Amend 11 KAR 14:080 to define "full-time practice" and "qualified field"; provide for cancellation of the service obligation upon KHEAA's determination that the recipient will be unable to continue attending school or fulfill the qualified service obligation because of a total and permanent disability; provide for deferment of a recipient's service obligation for disability, hardship, or enrollment in certain American Osteopathic Association-approved programs; and replace any references to 1998 Ky. Acts ch. 256 with references to KRS 164.7891.

State Grants

- Amend 11 KAR 5:160 to provide that educational institutions may either deliver KHEAA grant funds directly to the eligible student or apply them to the eligible student's account, require the institutions to return undisbursed grant funds to KHEAA within 30 days after the end of the academic term, and clarify educational institutions' responsibility for the proper and timely disbursement of KHEAA grant funds to students and the liability for untimely disbursement.

Several Lenders Select KHEAA for Origination and Disbursement Services

by Mary Alice Wilkinson

We are pleased to announce the following lenders have chosen KHEAA to provide Federal Stafford and PLUS Loan origination and disbursement services on their behalf:

- Arizona Education Loan Marketing Corporation (AELMAC), Gilbert, AZ (Lender # 830630)
- AMS Education Loan Trust, Bank One as Trustee, Swansea, MA (Lender # 833471)
- AMS Education Loan Trust, Fleet National Bank as Trustee, Swansea, MA (Lender # 833079)
- Classroom Teachers Federal Credit Union, Louisville, KY (Lender # 833609)
- Surety Loan Funding, Aberdeen, SD (Lender # 833548)

Enclosed as an insert to this edition of the *KHEAA Newsletter* is a list of the lenders for whom KHEAA originates and disburses loans, the address to which Stafford Master Promissory Notes and PLUS Application/Promissory Notes should be mailed, and their originator/servicer information.

Below is a list of the Disbursement Services lenders for whom KHEAA makes only EFT disbursements on their behalf to schools who have executed an EFT agreement with KHEAA.

Please contact KHEAA Origination Services at (800) 564-6068 if you have any questions or need additional information.

KHEAA EFT Disbursement Services Lender Participants

As of September 2001

Lender Name	Lender Code	Originator/Servicer
American Express	833289	SallieMae
ASAP/Union Bank & Trust	808543	UNIPAC
Bancorp South	806627	Bancorp South
Bank of America/MOHELA	818334	MOHELA
Citibank	807743	UNIPAC
ClassNotes, Inc., d/b/a/ Educaid	830005	Educaid
College Board/College Credit	830310	SallieMae
College Loan Corp., Bank One as Trustee	833733	UNIPAC
First Farmers/Merchants National Bank	810617	First Farmers
First National Bank of Talladega	819341	ACHE/SAILS
Merchants Bank	800096	ACHE/SAILS
Regions Bank	800097	Regions Bank/UNIPAC
SouthTrust Bank	800023	edsouth
SouthTrust Bank LLR	800029	edsouth
SunTrust Bank	800061	ACHE/SAILS
Union Bank & Trust	823964	UNIPAC
Whitney Bank	805148	SallieMae

Interest Rate Calculations for July 1, 2001—June 30, 2002

by David Rayborn

I. Federal Stafford Variable Interest Rates

The final auction of 91-day Treasury Bills held prior to June 1 produced a bond equivalent rate of **3.69%**.

A. “Converted” Variable-rate Federal Stafford Loans

- These are Federal Stafford Loans originally made as fixed-rate 8/10% loans subject to the windfall profits provisions that have been converted to variable interest rates. The variable interest rate for these loans is capped at 10%.

3.69% plus 3.25% equals **6.94%** for the period July 1, 2001–June 30, 2002.

- The 7%, 8%, 9%, and 8/10% loans that were subject to the windfall profits provisions have been converted to a variable interest rate.

3.69% plus 3.1% equals **6.79%** for the period July 1, 2001–June 30, 2002.

Because the variable interest rate for these loans is capped at the original fixed interest rate of 7%, 8%, 9%, or 10% (converted 8/10% loans which have reached the 49th month of the repayment period), the following rates apply for the period of July 1, 2001–June 30, 2002.

<i>Original Interest Rate</i>	<i>Variable Interest Rate</i>
7%	6.79%
8%	6.79%
9%	6.79%
10%	6.79%

B. Regular Variable-rate Federal Stafford Loans

- Federal Stafford Loans made to new borrowers for which the first disbursement is made on or after 10/1/92 but prior to 7/1/94 or on or after 7/1/94 for a period of enrollment ending prior to 7/1/94 (i.e., a late disbursement) have a variable interest rate cap of 9%.

3.69% plus 3.1% equals **6.79%** for the period July 1, 2001–June 30, 2002.

- Federal Stafford Loans made to all borrowers, regardless of prior borrowing, for periods of enrollment that include or begin on or after 7/1/94 for which the first disbursement is made on or after 7/1/94 but prior to 7/1/95 are capped at 8.25%.

3.69% plus 3.1% equals 6.79%. The interest rate for these loans is **6.79%** for the period July 1, 2001–June 30, 2002.

- Federal Stafford Loans made to all borrowers, regardless of prior borrowing, on or after 7/1/95 but prior to 7/1/98 are capped at 8.25%.

- During the in-school, grace, and deferment periods, 3.69% plus 2.5% equals 6.19%. The interest rate for these loans is **6.19%** for the period July 1, 2001–June 30, 2002.
- During the repayment period (except deferment periods), 3.69% plus 3.1% equals 6.79%. The interest rate for these loans is **6.79%** for the period July 1, 2001–June 30, 2002.

- Federal Stafford Loans made to all borrowers, regardless of prior borrowing, on or after 7/1/98 and before 7/1/2003 are capped at 8.25%.
 1. During the in-school, grace, and deferment periods, 3.69% plus 1.7% equals **5.39%** for the period July 1, 2001–June 30, 2002.
 2. During the repayment period (except deferment periods), 3.69% plus 2.3% equals **5.99%** for the period July 1, 2001–June 30, 2002.

II. Federal PLUS and Federal SLS Variable Interest Rates

The weekly average of the one-year constant maturity Treasury yield for the last calendar week ending on or before June 26 is **3.46%**.

A. Variable-rate Federal PLUS and Federal SLS Loans made prior to 10/1/92 (variable interest rate cap of 12%)

3.46% plus 3.25% equals **6.71%** for the period July 1, 2001–June 30, 2002.

NOTE: Because the variable interest rate formula produces a figure that is less than 12%, variable-rate PLUS/SLS Loans will not be subject to special allowance payments during the four quarters ending 9/30/2001, 12/31/2001, 3/31/2002, and 6/30/2002.

B. Federal PLUS Loans made on or after 10/1/92 but prior to 7/1/94 (variable interest rate cap of 10%) and Federal SLS Loans made on or after 10/1/92 for a period of enrollment beginning prior to 7/1/94 (variable interest rate cap of 11%)

3.46% plus 3.1% equals **6.56%** for the period July 1, 2001–June 30, 2002.

Federal PLUS Loans made on or after 7/1/94 but prior to 7/1/98 (variable interest rate cap of 9%)

3.46% plus 3.1% equals **6.56%** for the period July 1, 2001–June 30, 2002.

NOTE: Because the variable interest rate formula produces a figure that is less than 10% (Federal PLUS) and 11% (Federal SLS), variable-rate PLUS Loans made on or after 10/1/92 but prior to 7/1/94 and all SLS Loans made on or after 10/1/92 will not be subject to special allowance payments during the four quarters ending 9/30/2001, 12/31/2001, 3/31/2002, and 6/30/2002.

C. Federal PLUS Loans made on or after 7/1/98 but prior to 7/1/2003 (variable interest rate based on the 91-day Treasury Bills and capped at 9%)

3.69% plus 3.1% equals **6.79%** for the period July 1, 2001–June 30, 2002.

NOTE: Because the variable interest rate formula produces a figure that is less than 9%, variable-rate PLUS Loans made on or after 7/1/98 but before 7/1/2003 will not be subject to special allowance payments during the four quarters ending 9/30/2001, 12/31/2001, 3/31/2002, and 6/30/2002.

III. Federal Consolidation Loan Interest Rates

A. Federal Consolidation Loans for which the loan application was received by an eligible lender on or after 11/13/97 but before 10/1/98 (variable interest rate based on the 91-day Treasury Bills and capped at 8.25%)

3.69% plus 3.1% equals **6.79%** for the period July 1, 2001–June 30, 2002.

B. Federal Consolidation Loans made before 7/1/94

The interest rate is the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent, but may not be less than 9%.

C. Federal Consolidation Loans made on or after 7/1/94 for which the loan application was received by an eligible lender before 11/13/97

The interest rate is the weighted average of the interest rates on the loans consolidated, rounded upward to the nearest whole percent.

D. Federal Consolidation Loans for which the loan application was received by an eligible lender on or after 10/1/98 but before 7/1/2003

The interest rate is the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher 1/8th of one percent. The interest rate may not exceed the maximum rate of 8.25%.

E. The HEAL portion of Federal Consolidation Loans for which the loan application was received by an eligible lender on or after 11/13/97 but before 7/1/2003

The interest rate for the HEAL portion of the Consolidation Loan is based on the average of the bond equivalent rates of the 91-day Treasury Bills auctioned for the quarter ending June 30 plus 3%. There is no maximum rate on this portion of the loan.

3.77% plus 3% equals **6.77%** for the period July 1, 2001–June 30, 2002.

Grants Offered to Kentucky Students

by Linda Renschler

KHEAA has made 47,300 College Access Program (CAP) Grant offers and 14,200 Kentucky Tuition Grant (KTG) offers to Kentucky students with demonstrated financial need. KHEAA is pleased that grant offers were made to all eligible students who filed a timely Free Application for Federal Student Aid (FAFSA) to attend college this fall and next spring. KHEAA ceased making 2001–2002 grant awards on July 25.

A CAP Grant may be used at an eligible Kentucky public or private, four-year college or university; public or private, two-year college; or proprietary school. The maximum award for full-time students for the 2001–2002 academic year is \$1,260 (\$630 each semester). Eligible part-time college students will receive an amount calculated on \$53 a credit hour. Part-time amounts for CAP recipients attending quarter-hour institutions are calculated according to a schedule provided to the institutions.

KTG awards may be used at eligible Kentucky private colleges and universities. The maximum KTG award for a full-time student is \$1,800 for the academic year, an increase of \$200 over the 2000–2001 maximum.

Special Allowance Rates

for the quarter ending June 30, 2001

The average of the bond equivalent rates of the 91-day Treasury bills auctioned during the quarter ending June 30, 2001, is 3.77 percent. Loans from the following categories are eligible for special allowance as shown for the quarter ending June 30, 2001.

For loans made prior to 10/1/81

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-month Period
7%	.00375	.000938
9%	.00000	.000000

For:

- Federal Stafford Loans (subsidized) and fixed-rate PLUS Loans made on or after 10/1/81 but prior to 10/17/86.
- Federal Stafford Loans (subsidized) and fixed-rate PLUS Loans made on or after 10/17/86 but prior to 11/16/86, for periods of enrollment beginning prior to 11/16/86.
- Federal Consolidation Loans made on or after 10/1/81 but prior to 11/16/86.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-month Period
7%	.0027	.000675
8%	.0000	.000000
9%	.0000	.000000
12%	.0000	.000000
14%	.0000	.000000

For:

- Federal Stafford Loans (subsidized) and fixed-rate PLUS/SLS Loans made on or after 10/17/86 but prior to 11/16/86 for periods of enrollment beginning on or after 11/16/86.
- Federal Stafford Loans (subsidized) made on or after 11/16/86 but prior to 10/1/92.
- Federal Stafford Loans (unsubsidized, made pursuant to §428H of the Act) made prior to 10/1/92 for periods of enrollment beginning on or after 10/1/92.
- Fixed-rate Federal PLUS/SLS Loans made on or after 11/16/86 but prior to 7/1/87.
- Variable-rate Federal PLUS/SLS Loans made on or after 7/1/87 but prior to 10/1/92, *only* if the variable-rate for each July 1–June 30 period reaches the statutory maximum of 12%.
- Federal Consolidation Loans made on or after 11/16/86 but prior to 10/1/92.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-month Period
7.00%	.0002	.000050
8.00%	.0000	.000000
8.99%	.0000	.000000
9.00%	.0000	.000000
9.14%	.0000	.000000
10.00%	.0000	.000000
11.00%	.0000	.000000
12.00%	.0000	.000000
13.00%	.0000	.000000
14.00%	.0000	.000000

- For:
- Federal Stafford Loans (subsidized) made on or after 10/1/92 but prior to 7/1/95.
 - Federal Stafford Loans (unsubsidized) made on or after 10/1/92 but prior to 7/1/95, for periods of enrollment beginning on or after 10/1/92.
 - Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/95 but prior to 7/1/98, *except* during the in-school, grace, and deferment periods.
 - Variable-rate Federal PLUS/SLS Loans made on or after 10/1/92 but prior to 7/1/94, *only* if the variable-rate for each July 1–June 30 period reaches the statutory maximum of 11% (SLS) or 10% (PLUS).
 - Variable-rate Federal PLUS Loans made on or after 7/1/94 but prior to 7/1/98.
 - Variable-rate Federal PLUS Loans made on or after 7/1/98 but prior to 1/1/00 (special allowance shall not be paid unless the calculated interest rate exceeds the 9% cap).
 - Federal Consolidation Loans made on or after 10/1/92 but prior to 10/1/98.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-month Period
6.00%	.0087	.002175
7.00%	.0000	.000000
8.00%	.0000	.000000
8.25%	.0000	.000000
8.99%	.0000	.000000
9.00%	.0000	.000000
10.00%	.0000	.000000
11.00%	.0000	.000000
12.00%	.0000	.000000
13.00%	.0000	.000000
14.00%	.0000	.000000

- For: Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/95 but prior to 7/1/98, *only* during the in-school, grace, and deferment periods.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-month Period
8.25%	.0000	.000000

- For: Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/98 but prior to 1/1/00, *only* during the in-school, grace, and deferment periods.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-month Period
7.59%	.0000	.000000

- For: Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/98 but prior to 1/1/00, *except* during the in-school, grace, and deferment periods.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-month Period
8.19%	.0000	.000000

For: Federal Consolidation Loans made on or after 10/1/98 but prior to 1/1/00

Formula: 3.77% plus (3.1%) less (applicable interest rate) = special allowance rate.

Note: The interest rate for these Consolidation Loans is determined by taking the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher 1/8th of one percent. Therefore, due to the wide range of possible applicable interest rates, no further calculations are shown here.

The average of the bond equivalent rates of the quotes of the three-month commercial paper (financial) rates in effect for each of the days in the quarter ending June 30, 2001, is 4.14 percent. Loans from the following categories are eligible for special allowance as shown for the quarter ending June 30, 2001.

For: Federal Stafford Loans (subsidized and unsubsidized) made on or after 1/1/00 but prior to 7/1/03, *only* during the in-school, grace and deferment periods.

**Applicable Annual
Interest Rate**

7.59%

**Special Allowance
at Annual Rate**

.0000

**Special Allowance
for 3-month Period**

.000000

For: Federal Stafford Loans (subsidized and unsubsidized) made on or after 1/1/00 but prior to 7/1/03, *except* during the in-school, grace and deferment periods.

**Applicable Annual
Interest Rate**

8.19%

**Special Allowance
at Annual Rate**

.0000

**Special Allowance
for 3-month Period**

.000000

For: Federal PLUS Loans made on or after 1/1/00 but prior to 7/1/03 (special allowance shall not be paid unless the calculated interest rate exceeds the 9% cap).

Note: The current interest rate for PLUS Loans is 8.99%. Since this rate does not exceed the 9% cap, no special allowance will be paid during the period 7/1/00 through 6/30/01.

For: Federal Consolidation Loans for applications received on or after 1/1/00 but prior to 7/1/03.

Formula: 4.14% plus (2.64%) less (applicable interest rate) = annual special allowance rate.

Note: The interest rate for these Consolidation Loans is determined by taking the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher 1/8th of one percent. Therefore, due to the wide range of possible applicable interest rates, no further calculations are shown here.

Findings of Program Reviews

by Mark Maidlow

KHEAA invited financial aid directors (or their designees) to a meeting on August 21 to discuss several issues of concern to Kentucky's higher education institutions regarding the state student aid programs. During the course of that meeting, school representatives requested that KHEAA share information about the findings of recent school reviews.

We have compiled a list of some common findings with respect to KHEAA-administered student aid programs. These findings are based on 14 school reviews over a period of two years. If you have questions regarding any of the topics listed below, please contact the KHEAA advisor for the specific aid program or Mark Maidlow for assistance.

- Failure to reconcile KHEAA grant receipts and disbursements.
- Failure to return undisbursed KHEAA grant funds to KHEAA.
- Failure to disburse KHEAA grant funds to eligible students.
- Failure to correctly report the enrollment status of KHEAA grant recipients.
- Payment of CAP Grant funds to students enrolled less than half-time.
- Payment of Teacher Scholarship funds to students enrolled less than full-time.
- Payment of KHEAA grant funds to students pursuing degrees in religious education.
- Payment of KEES awards to students pursuing degrees in religious education.
- Aid awarded and disbursed in excess of the cost of attendance.
- Aid awarded and disbursed in excess of need.
- Failure to enforce the satisfactory academic progress policy.
- Failure to follow CPE guidelines in determining the residency status of KHEAA grant recipients.



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The KHEAA Newsletter is published once each quarter and as needed to provide information about changes in federal and state laws and regulations, upcoming events, special allowance rates, and other items of interest. Comments and suggestions about this publication are welcomed and appreciated. Please send them to the above address and to the attention of the Division of Student and Administrative Services.